

Individual Manager Description, Performance and Ownership

MDP II Program

1. Piedmont Investment Advisors

Investment Approach:

Piedmont Investment Advisors uses a quantitative approach based on an alpha forecast model for the universe of stocks in the S&P 500. The factors that comprise the model rank stocks by industry and sectors. Monthly regressions are used to determine the weights of the factors in the model. Stocks are classified using a combination of alpha quintiles and alpha classes. An optimizer is used to determine the appropriate weights and risk-return characteristics for the portfolio.

Performance Evaluation:

Time Period	Manager Return	Benchmark Return	Excess Return
3/1/07 – 4/30/07	5.82%	5.66%	0.16%

Performance is net of management fee.

Performance Objective:

CalPERS Custom S&P 500 Index, plus 1.0%, net of fees, annualized over a full market cycle (normally three to five years).

MDP I Program

1. Arrowstreet Capital

Investment Approach:

Arrowstreet uses a quantitative approach to evaluate a large universe of international equity securities for multiple sources of excess return. The multiple sources include both behavioral and informational factors such as valuation, momentum, market capitalization or size, and estimate revision growth. The return factors can be broadly defined as either top down or bottom up. Top down measures include those that relate to either country or sector, while bottom up measures include those that specifically refer to specific companies or a basket of stocks. An optimal portfolio is developed using a proprietary optimization process that evaluates the trade off between forecast return for each security, several measures of risks, and transaction costs, as well as any defined client constraints.

Since its inception date through April 30, 2007, Arrowstreet outperformed its benchmark by 2.89%. This outperformance was due to both the strategy's basket and stock selection value-added which is a result of the effectiveness of the firm's forecasting model.

Performance Evaluation:

Time Period	Manager Annualized Return	Benchmark Annualized Return	Excess Return
Year to Date 2007*	13.26%	8.97%	4.29%
Calendar Year 2006	27.81%	26.82%	0.99%
5/31/00 – 4/30/07	10.96%	8.07%	2.89%

**through April 30, 2007; performance is net of management fee.*

Performance Objective:

CalPERS Custom FTSE All World Index ex U.S., plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

2. Denali Advisors

Investment Approach:

Denali's quantitative value oriented strategy uses a return factor model to estimate the individual expected returns of the largest 3,000 stocks in the U.S. The regression model is comprised of 47 factors which describe investor behavior and the forecast model uses slightly fewer factors to forecast stock payoffs. The expected returns are imported into an optimizer to maximize the expected alpha while minimizing risk relative to the benchmark. The firm controls active relative exposures primarily with a BARRA optimization model. Portfolios are generally re-balanced monthly.

Denali's strategy tends to have a lower market capitalization bias relative to its benchmark, which contributed to the underperformance in 2006; however, performance has improved for 2007, with Denali outperforming its benchmark by 0.77%.

Performance Evaluation:

Time Period	Manager Annualized Return	Benchmark Annualized Return	Excess Return
Year to Date 2007*	6.52%	5.75%	0.77%
Calendar Year 2006	19.75%	21.34%	-1.59%
5/1/01 – 4/30/07	8.47%	8.95%	-0.48%

**through April 30, 2007; performance is net of management fee.*

Performance Objective:

CalPERS Custom Wilshire Large Cap Value Index, plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

3. LM Capital Management

Investment Approach:

LM Capital utilizes long-term macro-economic, fundamental investment analysis incorporating “Global Scenario Planning” to construct a concentrated fixed income portfolio. “Global Scenario Planning” is subdivided into five sequential steps: Matrix Construction, Trend Identification, Portfolio Construction, Security Selection and Situation Analysis. Factors included in “Global Scenario Planning” include inflation, employment, trade balance, budget deficit/surplus, and GDP growth. LM screens securities based on creditworthiness, duration, call features, quality and yield to maturity. LM uses technical analysis to gauge current market sentiment and relative strength to identify tactical entry and exit points. The manager primarily invests in investment grade securities while opportunistically investing in non-investment grade, and international fixed-income securities.

LM has outperformed by 0.80% annualized since inception. This outperformance is primarily attributable to sector allocations decisions. Allocations to international fixed-income securities and high yield drove the portfolio's outperformance.

Performance Evaluation:

Time Period	Manager Annualized Return	Benchmark Annualized Return	Excess Return
Year to Date 2007*	2.37%	2.06%	0.31%
Calendar Year 2006	4.91%	4.32%	0.59%
4/1/02– 4/30/07	6.22%	5.42%	0.80%

**through April 30, 2007; performance is net of management fee.*

Performance Objective:

Citigroup Broad Investment Grade Index, plus 1%, net of fees, annualized over a full market cycle (normally three to five years).

4. Northroad Capital Management

Investment Approach:

Northroad uses a value-oriented, bottom-up approach to investing in developed international markets based on the selection of companies that are priced attractively relative to their sustainable return-on-equity (ROE). The process begins with evaluating a universe of about 400 companies on the basis of the source and quality of their returns. Stock valuation fundamentals are examined, such as price-to-earnings, price-to-book value, and price-to-cash flow, as well as the company's financial leverage and ability to generate free cash flow. Fundamental analysis is undertaken to determine each company's competitiveness within the industry, assess the quality of management, and ensure the company has a sensible business model. The portfolio is constructed with 25 to 40 stocks.

Northroad's strategy focuses on high quality and large capitalization companies which were not in favor in 2004, contributing to the majority of the long-term underperformance. Additionally, their concentrated style is not benchmark sensitive and tends to lead to large over or under-weights relative to the benchmark, thus resulting in more volatile return patterns.

Performance Evaluation:

Time Period	Manager Annualized Return	Benchmark Annualized Return	Excess Return
Year to Date 2007*	8.17%	8.79%	-0.62%
Calendar Year 2006	26.32%	26.71%	-0.39%
1/2/04 – 4/30/07	17.38%	21.48%	-4.10%

**through April 30, 2007; performance is net of management fee.*

Performance Objective:

CalPERS Custom FTSE Developed Index ex U.S., plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

5. Pyrford International PLC

Investment Approach:

Pyrford employs a value driven fundamental analysis at both the country and stock level, but emphasizes country selection. Portfolios are constructed taking into account both liquidity and absolute volatility, and country weights are independent of benchmark weights. Country allocations are based on earnings growth forecasts for each market within Pyrford's universe. Based on earnings growth, Pyrford determines which markets offer the best value relative to one another. Stock selection includes an analysis of a stock's long-term value based on its dividend yield and five-year projected earnings growth, with projected earnings growth receiving greater emphasis.

Pyrford's recent and long-term underperformance is due to the firm's long term value approach and top-down component in the investment process which resulted in limited opportunities in Japan. This underweight contributed to over 75% of Pyrford's overall underperformance in 2003 and 2005. Pyrford is currently implementing enhancements to the investment process to improve performance.

Performance Evaluation:

Time Period	Manager Annualized Return	Benchmark Annualized Return	Excess Return
Year to Date 2007*	6.09%	8.79%	-2.70%
Calendar Year 2006	27.67%	26.71%	0.96%
10/31/01 – 4/30/07	15.00%	17.15%	-2.15%

**through April 30, 2007; performance is net of management fee.*

Performance Objective:

CalPERS Custom FTSE Developed Index ex U.S., plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

6. Rigel Capital Management

Investment Approach:

The investment process begins with a quantitative screen of all companies within the market cap boundaries of the strategy. The screening process focuses on traditional measures of growth, such as earnings per share, ROE, industry strength, relative strength, and price/volume measures to reduce the universe to the top 10-20% of companies. The resulting list of companies is then ranked based on the growth characteristics and price/volume factors of the individual stocks. Fundamental analysis is then undertaken to select those stocks believed to hold the greatest

potential in the current market environment. The final stage of the stock selection process focuses on risk controls that look closely at the tradeoff of growth potential versus predictability, and incorporates cyclical and seasonal considerations. The portfolios typically hold 50-65 stocks and changes are made to capitalize on new information and changes in the market environment.

Rigel has outperformed the benchmark on a long-term basis, but their performance for 2006 was disappointing at 6.11% below the benchmark. Rigel's defensive strategy led to an underweight in cyclical stocks, which outperformed for most of the year, largely contributing to the portfolio's underperformance. However, as shown in the table below, performance has improved year to date 2007.

Performance Evaluation:

Large Cap Growth	Manager Annualized Return	Benchmark Annualized Return	Excess Return
Year to Date 2007*	6.06%	5.99%	0.07%
Calendar Year 2006	2.96%	9.07%	-6.11%
11/1/03 – 4/30/07	10.17%	9.01%	1.16%

**through April 30, 2007; performance is net of management fee.*

Performance Objective:

Large Cap Growth – CalPERS Custom Russell 1000 Growth Index, plus 2%, net of fees, annualized over a full market cycle (normally three to five years)

7. Shenandoah Asset Management

Investment Approach:

Shenandoah uses a quantitative multi-factor risk controlled approach to investing in U.S. small and mid cap stocks. The investment process uses information based on earnings expectations, insider trading, dividend discount model valuation, and cash flow analysis to determine if a stock is mispriced. The earnings model has the highest order of impact on return and is based on earnings revisions one to two years out and earnings surprise. The insider model evaluates seven factors to determine if insider activity is significant with regard to the direction of future price. Stocks are then ranked based upon their expected alpha and the highest ranking positive alpha stocks are incorporated into the portfolio using an optimizer to manage size, beta, and sector risk, as well as risk exposures defined by Northfield. Tracking error is approximately 4%. The portfolio is re-balanced monthly.

Shenandoah's Mid Cap portfolio has underperformed its benchmark from inception through 2002 by 4.24%. In 2003, they made several refinements to their process including lowering and managing portfolio turnover to control transaction costs,

refining the impact of insider selling in the insider trading model, and solidifying the predictability and consistency of cash flows and its impact on stock specific performance. Since September 30, 2003, Shenandoah's Mid Cap portfolio has outperformed their benchmark by 0.66% on an annualized basis.

Performance Evaluation:

Mid Cap	Manager Annualized Return	Benchmark Annualized Return	Excess Return
Year to Date 2007*	8.10%	10.15%	-2.05%
Calendar Year 2006	13.49%	10.32%	3.17%
4/2/01 – 4/30/07	11.58%	12.59%	-1.01%

**through April 30, 2007; performance is net of management fee*

Performance Objective:

CalPERS Custom Blended MidCap Benchmark, plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

8. Smith Asset Management

Investment Approach:

Large Cap Core – Smith's investment process focuses on identifying high quality companies with a market capitalization over \$2 billion which are expected to generate excess investment returns through positive earnings surprises. Smith's investment process utilizes a proprietary Earnings Surprise Predictor (ESP) that seeks to identify those companies that will produce excess returns through the generation of above-expectation earnings rates, i.e., stocks that will report positive earnings surprises. Smith further utilizes traditional fundamental security analysis to select portfolio candidates from the remaining universe of companies.

SMID Cap Core – Smith's SMID product utilizes the same process as the large cap core but focuses on stocks with a market capitalization between \$100 and \$1.5 billion.

Smith's Large Cap and SMID portfolios underperformed its benchmark in 2006 due to the growth style bias in both products, which went unrewarded; however, both products have improved in 2007. Staff has recently addressed the SMID portfolio's underperformance through rebalancing decisions.

Performance Evaluation:

Large Cap Core	Manager Annualized Return	Benchmark Annualized Return	Excess Return
Year to Date 2007*	7.91%	5.17%	2.74%
Calendar Year 2006	10.45%	15.79%	-5.34%
12/1/03 – 4/30/07	13.58%	12.40%	1.18%

**through April 30, 2007; performance is net of management fee*

SMID Cap Core	Manager Annualized Return	Benchmark Annualized Return	Excess Return
Year to Date 2007*	5.93%	6.39%	-0.46%
Calendar Year 2006	9.62%	16.16%	-6.54%
12/1/03 – 4/30/07	13.45%	13.82%	-0.37%

**through April 30, 2007; performance is net of management fee*

Performance Objective:

Large Cap Core – CalPERS Custom S&P 500 plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

SMID Cap Core– CalPERS Custom Russell 2500 plus 2.5%, net of fees, annualized over a full market cycle (normally three to five years).

9. Stux Investments

Investment Approach:

Stux Investments uses a two step quantitative approach to evaluate a large universe of domestic equity securities for sources of excess return. The strategy first employs an analytically disciplined multi-factor model of macroeconomic and fundamental information to generate attractiveness signals for industry sectors. The sectors are then either over or underweighted, relative to the benchmark, based on the model's signals. The second step of the process is a stock selection overlay model which establishes links between 26 stock specific factors to calculate a "predicted alpha". Stocks within each sector are then ranked according to their predicted alpha and then either over or underweighted. The portfolio consists of a large number of stocks, ranging from 500 to 1000. The sector rotation model is rebalanced on a monthly basis and the stock selection model is rebalanced quarterly.

Stux has underperformed their benchmark by -0.22% since inception, however performance has improved over more recent periods. Stux has incorporated a few enhancements to the model, including the addition of a stock selection overlay model. The model enhancements were implemented to not only improve

performance but minimize risk. Stux outperformed its benchmark by 0.23% in 2006 and 0.48% for the first part of 2007.

Performance Evaluation:

Time Period	Manager Annualized Return	Benchmark Annualized Return	Excess Return
Year to Date 2007*	6.04%	5.56%	0.48%
Calendar Year 2006	15.69%	15.46%	0.23%
2/2/04 – 4/30/07	11.08%	11.30%	-0.22%

**through April 30, 2007; performance is net of management fee.*

Performance Objective:

CalPERS Custom Russell 1000 Index, plus 1.5%, net of fees, annualized over a full market cycle (normally three to five years).